



## Fire Program Analysis – Preparedness Module Short White Paper

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Date: May 6, 2005

**Topic:** Annual Equipment Operation and Maintenance (O & M)

**Issue:** This white paper documents the decision on how O & M cost is developed and used in FPA PM.

**Background:** Field units must fund fire equipment whether they are actually used on fire events or not. Of the five federal wildland fire agencies, there are different methods for funding fire equipment. Three agencies utilize a working capital fund and fund all of the Fixed Ownership Rate (FOR) and a portion of the use rate from the preparedness budget. The other portion of the use rate is charged to other funding (e.g. suppression). One agency uses a working capital fund and includes all of the FOR and the projected use rate as part of the unit's preparedness budget. One agency does not employ a working capital fund and replaces and maintains vehicles completely out of the preparedness budget.

### Definitions:

**Fixed Ownership Rate (FOR):** The FOR recovers the “fixed” cost of owning equipment. Fixed cost varies little regardless of how extensively the equipment is used; therefore, the FOR is the charge for the availability of the equipment.

**Use Rate:** The use rate covers the variable costs incurred in the operation of fleet equipment and aircraft. The use rate is chargeable only for the actual use of equipment or aircraft, therefore the variable costs increase or decrease dependent on usage.

**Minimum annual use:** A predetermined number of units (miles, hours, etc.) that will be funded during an analysis year.

**Decision:** Annual equipment O & M will be composed of two elements: Annual rental cost (FOR) and the minimum annual use cost. O & M will be included in the preparedness activity. Based on the most common situations in the field, the model will not calculate use rate beyond the minimum annual use.

Minimum annual use by kind, category and type of fire equipment will be derived from data included in the U.S. Department of the Interior, Bureau of Land Management, Motor Vehicle System. Minimum annual use (miles or hours/year) will be calculated by dividing the usage standard (replacement cycle in number of miles or hours) by the age standard (replacement cycle of the equipment).

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**Follow-up Needed:**

- Recommend that policy for all of the federal agencies be drafted and approved that minimum annual use rate be charged to the preparedness account. Use in addition to the minimum annual use may be charged to other accounts, such as suppression or hazard fuels.
- For agencies that utilize a working capital fund for equipment operation and maintenance, it is expected that the funding generated from the model for equipment O & M will be used to fund the WCF for that equipment.
- Look-up data in the FPA PM analysis needs to be adjusted to reflect this change.

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